LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7097
BILL NUMBER: HB 1258

DATE PREPARED: Feb 27, 2002
BILL AMENDED: Feb 26, 2002

SUBJECT: Health Facility Reimbursement.

FISCAL ANALYST: Kathy Norris
PHONE NUMBER: 234-1360

FUNDS AFFECTED: GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill modifies additional reimbursements to nursing facilities that are owned or operated by a governmental entity. The bill requires the Office of Medicaid Policy and Planning ("Office") to: (1) identify means by which expenditures from the Indiana Tobacco Master Settlement Agreement Fund ("Tobacco Fund") are eligible or can be certified as eligible for federal financial participation under Medicaid; (2) apply to the United States Department of Health and Human Services for a waiver or an amendment to the state Medicaid plan to leverage federal funds through Tobacco Fund expenditures; (3) develop health care coverage programs or health care funding mechanisms to leverage federal funds through the Tobacco Fund; and (4) publish necessary notices. The bill requires money generated by intergovernmental transfers involving health facilities and money generated under this act to be used to mitigate the need for reductions in Medicaid reimbursements for health facilities. It also requires the Budget Agency to cooperate with the Office in implementing this act. The bill specifies that this act does not appropriate any funds from the Tobacco Fund to the Office.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) Medicaid is a federal and state-funded entitlement program. For every dollar spent on qualifying services in Indiana, the federal program reimburses the state about 62%. For every dollar spent on qualifying administrative services the federal program reimburses the state 50%.

This bill would require the Office of Medicaid Policy and Planning (OMPP) to identify expenditures made with Tobacco Master Settlement Agreement Funds that might be eligible to be claimed for federal financial participation under the Medicaid Program. The bill authorizes OMPP to develop health care coverage programs or State Medicaid Plan amendments necessary to leverage Tobacco Funds. The bill requires that leveraged funds be used to mitigate reductions in Medicaid nursing home rates.

Tobacco Fund Appropriations Potentially Eligible for Medicaid Reimbursement: Several Tobacco Master

Settlement Agreement Fund appropriations are already used to leverage federal funds within the Medicaid program as follows:

	FY 2002	FY 2003
Children's Health Insurance Program (CHIP)	$ 29.0 M	$ 33.6 M
Developmentally Disabled Client Services	16.4 M	27.3 M
DDARS Administration	3.0 M	3.0 M
Newborn Screening	0.5 M	0.5 M

Other potential areas for additional leveraging of federal funds are suggested to be the following appropriations:

	FY 2002	FY 2003
Tobacco Use Cessation and Prevention	$ 5.0 M	$ 25.0 M
Prescription Drug Program	10.0 M	20.0 M
Primary Health Care Centers	15.0 M	15.0 M

The Tobacco Use Cessation and Prevention appropriation might have expenditures that would qualify for administrative reimbursement of 50% under the state's Federal Cost Allocation Plan. The amount of money that might be leveraged has been estimated to be an additional $1.87 M. This potential for leveraging has not been confirmed with the Centers for Medicare and Medicaid Services (CMS). Leveraging this activity would require a revision to the state Cost Allocation Plan and approval by CMS. The additional $1.87 M in federal funds would increase state General Fund Revenues without impacting the activities of the Tobacco Use Cessation and Prevention Agency.

The Prescription Drug Program has new potential for a Medicaid waiver program with the recent CMS approval of Medicaid Prescription Drug waivers for low income elderly in several other states. This bill would allow OMPP to apply for a waiver program and to develop and implement a program limited to the available Tobacco Fund appropriations. If the Centers for Medicare and Medicaid Services (CMS) will approve a Medicaid prescription drug waiver with a total spending cap, the Prescription Drug Program would be limited in total for FY 2003 to the $20 M level of the Tobacco Fund appropriation. The federal funds leveraged, approximately $12.4 M, would be available for nursing home Medicaid rate relief only. In essence, this bill would transfer $12.4 M of federal reimbursement to the Medicaid program to pay for nursing home care.

The appropriation for the Primary Health Care Centers has been suggested as the third possibility for additional federal funds leveraging. It is not clear at this time how that proposal might work or if it would be approved by CMS since the appropriations are currently made to the Department of Health and are distributed to Primary Care and Rural Health Centers as state grants. If the full $15 M Tobacco Fund expenditure could be leveraged, approximately $9.3 M in federal funds could be claimed and would be available for nursing home rate relief only. As with the Prescription Drug Program, the total amount of the Medicaid expenditure for the Primary Care and Rural Health Centers would need to be capped at $15 M. Effectively, this bill would transfer $9.3 M of federal funds to the Medicaid program.

If CMS approved waiver programs with the required spending limitations, the provisions of the bill could result in state match availability of $23.5 M. These funds would allow Medicaid nursing home expenditures in total state and federal funds of about $62 M.

The bill also requires that any additional federal financial participation that the state receives as a result of an intergovernmental transfer involving county-owned nursing facilities must be used to mitigate Medicaid reductions in nursing home rates. The amount of “excess federal financial participation” is not known at this time.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning; State Department of Health, Tobacco Use Prevention and Cessation Agency.

Local Agencies Affected:

Information Sources: Amy Brown, Legislative Liaison for the Family and Social Services Administration, (317) 232-1149; Evelyn Murphy, Director, Long-Term Care Program, OMPP: *Combined Medicaid & CHIP Incurred Claim Budget Forecast for the 2002-2003 Biennium*, December 19, 2001, and the *Medicaid Balanced Budget Plan,* January 4, 2002,Office of Medicaid Policy and Planning; Kris Knerr, Myers and Stauffer, 846-9521; Steve Albrecht, Indiana Health Care Association, 636-6406: David Feinberg, (717) 232-4075.